

## **702 KAR 3:090. Depository bond, penal sum.**

RELATES TO: KRS 156.010, 160.570

STATUTORY AUTHORITY: KRS 156.029(7), 160.570

NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.029(7) requires the Board of Education to develop policies and to promulgate administrative regulations by which the Department of Education shall be governed. KRS 160.570(2) requires each local board of education - designated depository of funds to execute bond for the faithful performance of its duties, and the bond shall be approved by the local board and the Commissioner of Education. KRS 160.570(2) also defines the nature and qualifying sureties for the bond and requires the Kentucky Board of Education to regulate the penal sum of the bond. This administrative regulation establishes standards for bonds of depository.

Section 1. A local board of education, on advice of the superintendent, shall determine the penal sum of the bond of depository at least thirty (30) days prior to the depository entering upon its duties and by July 1 of each fiscal year thereafter.

Section 2. The district shall obtain approval for the bond of depository from the Commissioner of Education prior to the depository entering upon its duties. A depository bond shall not be approved by the Commissioner of Education if the commissioner determines that the bond is inadequate to insure the deposits of the local board of education, pursuant to the commissioner's authority in KRS 156.010.

Section 3. (1)(a) The penal sum of the depository bond shall be at least equal to either;

1. 103 percent of the current daily balances in each account as they may fluctuate throughout the life of the bond; or

2. The highest daily balance in each account each month for all accounts in the previous year.

(b) The penal sum of the depository bond shall be adjusted to reflect expected increases or decreases in the highest daily balances due to anticipated changes of deposit amounts in the current year.

(2)(a) The escrow agent for a depository choosing to use a collateral bond shall file safekeeping receipts with the local board of education as evidence of any collateral that has been pledged in accordance with the provisions of the bond executed by the depository institution.

(b) To reduce the penal sum of a collateral bond, the local board of education shall submit a notice, with reasons for the reduction, to the Commissioner of Education. A local board of education shall not permit a reduction of the collateral of a bond without execution of a new bond with prior approval of the Commissioner of Education. (SBE 21.090, 21.270; 1 Ky.R. 71; eff. 11-13-74; Am. 1874; eff. 7-9-85; 17 Ky.R. 1553; eff. 12-9-90; 27 Ky.R. 846; eff. 11-17-2000; 28 Ky.R. 1691; 2028; eff. 3-18-2002; 35 Ky.R. 1889; 2742; eff. 6-8-2009.)